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March 17, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe *Maria Oms*
Auditor-Controller

SUBJECT: **LOS ANGELES URBAN LEAGUE – POMONA CONTRACT REVIEW –
A COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT
ACT PROGRAM PROVIDER**

We completed a program, fiscal and administrative contract compliance review of Los Angeles Urban League – Pomona (LAUL – Pomona or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Formula, American Recovery and Reinvestment Act (ARRA) and Dislocated Worker Governor's Economic Stimulus (Stimulus) Program provider. LAUL – Pomona provides and operates the WIA Formula, ARRA Adult and Dislocated Worker, and the Stimulus Programs. The WIA Formula Programs assist individuals in obtaining employment, retaining their jobs and increasing their earnings. The WIA ARRA and Stimulus Programs supplement the WIA Formula Programs.

CSS compensated LAUL – Pomona on a cost-reimbursement basis and had contracts with LAUL – Pomona totaling \$2,095,283 (\$1,218,203 for Formula, \$851,752 for ARRA and \$25,328 for Stimulus) for Fiscal Year (FY) 2009-10. LAUL – Pomona serves participants residing in the First District.

Results of Review

LAUL – Pomona billed CSS \$25,913 in questioned costs. Specifically:

- LAUL – Pomona billed CSS payroll expenditures based on budget not actual hours worked by program as required by Part B, Section 3.1 of the Auditor-Controller

Contract Accounting and Administration Handbook (A-C Handbook). Questioned costs totaled \$15,001.

Subsequent to our review, LAUL – Pomona provided additional documentation to support the payroll expenditures. However, the additional documentation did not adequately support the \$15,001 in questioned costs.

- LAUL – Pomona's Cost Allocation Plan was not in compliance with the County contract and federal guidelines. Specifically, LAUL – Pomona management did not sign/approve the Cost Allocation Plan. In addition, LAUL – Pomona allocated their shared expenditures based on new participant enrollments. This approach is not appropriate because a program without new participants would not be allocated shared costs even though the program incurs costs for case management of existing participants. Questioned costs totaled \$8,674.

Subsequent to our review, LAUL – Pomona provided a schedule that reallocated the \$8,674 in questioned costs. However, the Agency did not provide documentation to support their reallocation percentages. In addition, the Agency netted the over- and under-billed amounts among all five programs, which is not allowable because each program is funded by a different funding source. As a result, LAUL – Pomona needs to provide additional documentation to support the \$8,674 in questioned costs.

- LAUL – Pomona billed CSS for unnecessary and unreasonable promotional items, such as executive clocks and calendars. Questioned costs totaled \$2,238.

LAUL – Pomona attached response indicates that the expenditures were necessary to attract new partners and reasonable because the cost was less than one percent of the total award amount. However, according to Attachment B of the Office of Management and Budget (OMB) Circular A-122, gifts and souvenirs are unallowable advertising and promotional costs.

In addition, LAUL – Pomona did not always comply with WIA and County contract requirements. For example:

- LAUL – Pomona billed CSS a portion of an employee's salary, whose salary exceeded the federal salary threshold, as part of their indirect cost rate.

LAUL – Pomona's attached response indicates that they will adhere to the federal salary threshold.

- LAUL – Pomona could not account for nine inventory items, totaling \$28,812. Specifically, the nine items listed on their FY 2008-09 inventory listing were neither on the FY 2009-10 equipment inventory listing nor the Agency's salvaged/disposed inventory listing.

Subsequent to our review, LAUL – Pomona provided additional documentation to show that five of the nine items, totaling \$28,812, were disposed in 2008. On August 20, 2010, LAUL – Pomona submitted a letter to CSS to request approval for the disposal of two of the remaining three items.

- LAUL – Pomona did not maintain proof that the participants were laid off due to plant closure or substantial layoff as required by WIA Directive LACOD-WIAD08-44 to support the eligibility for four (9%) of the 46 participants sampled.

Subsequent to our review, LAUL – Pomona obtained and provided additional documentation to support the eligibility of the four participants.

- LAUL – Pomona did not accurately report participants' program activities, such as completion of training, on the Job Training Automation (JTA) System as required by WIA Directives LACOD-WIAD08-38 and WIA/ARRA ADM 09-02 for 11 (24%) of the 46 participants sampled.

Subsequent to our review, LAUL – Pomona updated the participants' program activities into the JTA System for the 11 participants.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LAUL – Pomona and CSS on October 21, 2010. In their attached response, LAUL – Pomona agreed with most of our findings and recommendations. CSS management indicated that they will resolve disputed findings in accordance with its Resolution Procedures Directive. CSS will request that the contractor provide a Corrective Action Plan which will address the outstanding findings and questioned costs. CSS staff will also review the Corrective Action Plan and will provide technical assistance on an as-needed basis to address programmatic issues.

We thank LAUL – Pomona management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Blair H. Taylor, President and Chief Executive Officer, LAUL - Pomona
Trevor Ware, Chief Operating Officer, LAUL - Pomona
Carl Ballton, Chairperson, LAUL - Pomona
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAMS
LOS ANGELES URBAN LEAGUE – POMONA
FISCAL YEAR 2009-10**

BACKGROUND/PURPOSE

Community and Senior Services (CSS) contracts with Los Angeles Urban League – Pomona (LAUL – Pomona or Agency), a non-profit corporation to provide and operate the Workforce Investment Act (WIA) Formula, American Recovery and Reinvestment Act (ARRA) Adult and Dislocated Worker, and the Dislocated Worker Governor's Economic Stimulus (Stimulus) Programs.

The purpose of our review was to determine whether LAUL – Pomona complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services. We interviewed Agency staff and evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State and County guidelines.

ELIGIBILITY

Objective

Determine whether LAUL – Pomona provided services to individuals that met the eligibility requirements of the WIA Formula, ARRA and Stimulus Programs.

Verification

We reviewed the case files for 46 (25%) (ten Formula Adults, ten ARRA Adults, ten Formula Dislocated Workers, ten ARRA Dislocated Workers and six Stimulus Dislocated Workers) of the 182 participants that received services from July 2009 through April 2010 for documentation to confirm their eligibility for WIA services.

Results

LAUL – Pomona did not maintain adequate documentation to support the eligibility for four (9%) of the 46 participants sampled. Specifically, LAUL – Pomona did not obtain proof that the participants were laid off due to plant closure or substantial layoff as required by WIA Directive LACOD-WIAD08-44.

Subsequent to our review, LAUL – Pomona obtained and provided additional documentation to support the eligibility of the four participants.

Recommendation

1. **LAUL – Pomona management ensure that staff obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.**

BILLED SERVICES/CLIENT VERIFICATION**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in 46 (25%) participants' case files that received services from July 2009 through April 2010.

Results

Generally, LAUL – Pomona provided the services in accordance with the County contract and WIA guidelines. However, LAUL – Pomona did not accurately report participants' program activities, such as completion of training, on the Job Training Automation (JTA) System for 11 (24%) of the 46 participants sampled as required by WIA Directives LACOD-WIAD08-38 and WIA/ARRA ADM 09-02. The State of California Employment Development Department (EDD) and the Department of Labor (DOL) use the JTA System to track WIA participant activities.

Subsequent to our review, LAUL – Pomona updated the participants' program activities into the JTA System for the 11 participants.

Recommendation

2. **LAUL – Pomona management ensure staff update the JTA System to accurately reflect the participants' program activities within the established timeframes.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank activity for January, February and March 2010.

Results

LAUL – Pomona maintained adequate controls to ensure that cash and revenue were properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether LAUL – Pomona's Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in August, October, November, December 2009 and February 2010 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

LAUL – Pomona's Cost Allocation Plan was not in compliance with the County contract and federal guidelines. Specifically, LAUL – Pomona's:

- Method of allocating shared program expenditures did not comply with Attachment A of the Office of Management and Budget (OMB) Circular A-122 and Part C, Section 2.0 of the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook). Specifically, LAUL – Pomona allocated their shared expenditures based on new participant enrollments within each program compared to total new participant enrollments. This approach does not allocate shared expenditures in accordance with the relative benefits received. For example, a program that did not have any new participant enrollments during the quarter would not be allocated shared expenditures even though the program had other participant activity, such as case management and support services. Questioned costs totaled \$8,674.
- Management did not sign/approve the Cost Allocation Plan to certify the accuracy of the Cost Allocation Plan as required by Part C, Section 2.4 of the A-C Handbook.

Recommendations**LAUL – Pomona management:**

3. Reallocate the \$8,674 and the remaining Fiscal Year (FY) 2009-10 shared program expenditures based on an acceptable allocation methodology and repay CSS for any excess amounts billed to the WIA Programs.
4. Ensure that the Cost Allocation Plan is prepared in compliance with the County contract.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program-related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 38 non-payroll expenditure transactions billed by the Agency for August, October, November, December 2009 and February 2010, totaling \$45,059.

Results

As previously indicated, LAUL – Pomona inappropriately allocated their shared expenditures. In addition, the Agency billed CSS \$2,238 for unnecessary and unreasonable promotional items, such as executive clocks and calendars, distributed at a partnership appreciation luncheon. According to Attachment B of the OMB Circular A-122, unallowable advertising and promotional costs include promotional items, such as gifts and souvenirs.

Recommendations**LAUL – Pomona management:**

Refer to Recommendations 3 and 4.

5. Repay CSS \$2,238.
6. Request reimbursement for necessary and reasonable program expenditures.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as expenditures, payroll and personnel.

Results

LAUL – Pomona maintained sufficient internal controls over its business operations. However, LAUL – Pomona did not develop and implement WIA ARRA policies and procedures as required to:

- Provide priority of services to low income individuals for the WIA ARRA Adult Program as required by WIA ARRA Directive WIA/ARRA A D09-03.
- Provide priority of services to veterans as required by WIA ARRA Directive WIA/ARRA ADW D09-04.
- Provide priority of services to mature workers as required by WIA ARRA Directive WIA/ARRA ADW D09-05.
- Coordinate special projects, priorities and initiatives with WIA ARRA Programs as required by WIA ARRA Directive WIA/ARRA ADW D09-07.
- Identify, evaluate and track needs-related payments as required by WIA ARRA Directive WIA/ARRA ADW D09-08.

Recommendation

7. LAUL – Pomona management develop and implement all required WIA ARRA policies and procedures.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether LAUL – Pomona's fixed assets and equipment purchases made with WIA funds are used for the WIA Programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of ten items purchased with WIA funds, totaling \$53,409.

Results

LAUL – Pomona could not account for nine items, totaling \$28,812. Specifically, the nine items listed on their FY 2008-09 inventory listing were neither on the FY 2009-10 equipment inventory listing nor the Agency's salvaged/disposed inventory listing. Subsequent to our review, LAUL – Pomona provided additional documentation to show that seven of the nine items, totaling \$23,655, were disposed with CSS' approval.

In addition, LAUL – Pomona's inventory listing was incomplete and inaccurate. Specifically:

- LAUL – Pomona did not report four items purchased in 2001, totaling \$3,923, on their inventory listing until FY 2009-10.
- LAUL – Pomona's FY 2009-10 inventory listing did not contain all the required information, such as purchase order numbers, as required by Attachment XVI of the County contract for 53 items.

Recommendations**LAUL – Pomona management:**

8. Investigate the discrepancies and ensure that all assets are accounted for by conducting a complete physical inventory.
9. Ensure that the Agency's inventory listing is complete, accurate, kept current and contains all the required information.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA Programs. In addition, determine whether the Agency verified employability and maintained current driver's licenses and proof of automobile insurances for the employees assigned to the WIA Programs.

Verification

We traced the payroll expenditures invoiced for five employees totaling \$15,001 for February 2010 to the Agency's payroll records and time reports. We also reviewed the personnel files for five employees assigned to the WIA Programs.

Results

LAUL – Pomona billed CSS payroll expenditures based on budget not actual hours worked by program. Specifically, the employees' timecards did not indicate the hours worked each day by program as required by Part B, Section 3.1 of the A-C Handbook for all five employees sampled. Questioned costs totaled \$15,001. A similar finding was also noted during prior year's monitoring review.

LAUL – Pomona also billed CSS a portion of an employee's salary, whose salary exceeded the federal salary threshold, as part of their indirect cost rate. According to DOL Training and Employment Guidance Letter No. 05-06, none of the funds appropriated to the DOL may be used to pay the salary and bonuses of an individual, either as direct costs or indirect costs, at a rate in excess of Executive Level II. For the period reviewed, the total questioned cost was immaterial. However, the total questioned cost for FY 2009-10 and any subsequent years could be material. As such, LAUL – Pomona management should recalculate the indirect cost rate, review FY 2009-10 indirect expenditures and repay CSS for any overbilled amounts.

In addition, LAUL – Pomona did not maintain a current driver's license or proof of automobile insurance for one (20%) of the five employees sampled. According to the employee's job description, a valid driver's license and verifiable automobile insurance are required.

Recommendations**LAUL – Pomona management:**

- 10. Repay CSS \$15,001 or provide adequate documentation to support the payroll expenditures.**
- 11. Ensure that payroll expenditures are billed based on actual hours worked and that the time reports indicate the hours worked each day by program as required.**
- 12. Recalculate the indirect cost rate, review FY 2009-10 indirect expenditures and repay CSS for any overbilled amounts.**
- 13. Prohibit the billing of any portions of the employees' salaries that exceed the federal salary threshold.**

14. Maintain the personnel files as required.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's FY 2008-09 final close-out invoices for the WIA Formula Adult and Dislocated Worker Programs reconciled to the Agency's accounting records. LAUL – Pomona did not have WIA ARRA or Stimulus contracts for FY 2008-09.

Verification

We traced LAUL – Pomona's FY 2008-09 accounting records to the Agency's final close-out invoices for FY 2008-09. We also reviewed a sample of expenditures incurred from December 2008 to June 2009.

Results

LAUL – Pomona's FY 2008-09 accounting records reconciled to the Agency's final close-out invoices for FY 2008-09.

Recommendation

None.



Los Angeles Urban League

November 4, 2010

Wendy L. Watanabe
Audit-Controller
County of Los Angeles
Department of Auditor-Controller

Subject: Los Angeles Urban League Response to Pomona Contract Audit Recommendations for FY 09-10.

This letter is in response to the fiscal year 2009-2010 Pomona contract review. Please see our response to recommendation noted in audit. If you have any questions please contact Kyla Lee VP of Finance and Administration at 323-299-9660 ext 234.

Recommendation

Urban League Pomona Management ensures that staffs obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.

Response

Urban League Pomona Management will provide continuous training to ensure that staff obtains appropriate documentation from participants to determine their eligibility for program services prior to enrollment.

Recommendation

Urban League Pomona management ensure staff update the Job Training Automation System to accurately reflect the participant's program activities within the established time frames.

Response

Urban League Pomona Management will regularly monitor JTA system to ensure system accurately reflect the participants' program activities within the established timeframes.

Recommendation

Reallocate the \$8,674 and the remaining Fiscal Year (FY) 2009-10 shared program expenditures based on an acceptable allocation methodology and repay CSS for any excess amounts billed to the WIA Programs.

Response

LAUL will reallocate FY 2009-2010 shared cost to all programs based on equitable bases and refund any excess amounts billed to CSS.

Recommendation

Ensure that Cost Allocation Plan is prepared in compliance with the County contract.

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Response

LAUL contends the cost allocation plan utilized during the contact year was in compliance with the County contract. However, the shared cost at the Pomona site was not allocated equitable across all contracts in accordance with our allocation plan.

Recommendation

Repay CSS \$2,238

Response

LAUL has request approval from CSS. LAUL contends that the expenses were necessary to attract new employers and partners to the program. In addition the cost associated with the promotional items was reasonable as this only represented less than 1% of the total award amount.

Recommendation

Request reimbursement for necessary and reasonable program expenditures.

Response

LAUL will continue to abide contract guidelines.

Recommendation

Urban League Pomona management develops and implements all required WIA ARRA policies and procedures.

Response

LAUL management will formalize all required WIA ARRA policies and procedures as recommended.

Recommendation

Investigate the discrepancies and ensure that all assets are accounted for by conducting a complete physical inventory.

Response

LAUL has investigated all discrepancies and has provided the auditors' copies of the disposal letters submitted to CSS Inventory Control Unit.

Recommendation

Ensure that the Agency's inventory listing is complete, accurate, kept current and, contains all the required information.

Response

Agree management will implement as noted above.

Recommendation

Repay CSS \$15,001 or provide adequate documentation to support the payroll expenditures.

Response

LAUL will provide CSS documentation to support our methodology for the allocation of personnel expenses.

Recommendation

Ensure that payroll expenditures are billed based on actual hours worked and that time reports indicate the hours worked each day by program as required.

Response

LAUL has revised its time management procedures to account for actual hours worked in accordance with contract fiscal responsibilities.

Recommendation

Recalculate the indirect cost rate, review FY 2009-10 indirect cost expenditures and repay CSS for any overbilled amount.

Response

LAUL has determined it has sufficient indirect cost to support the indirect cost earned on the contract.

Recommendation

Prohibit the billing of any portions of the employees' salaries, including bonuses that exceed the federal salary threshold

Response

LAUL will adhere to the federal salary threshold and will obtain further guidance from CSS regarding this matter.

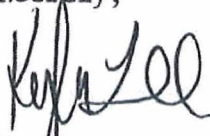
Recommendation

Maintain the personnel files as required

Response

All personnel files will be reviewed frequently to ensure all required documents are maintained in the employee files.

Sincerely,



Kyla Lee
V.P., Finance & Administration